

Message Text

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ACTION AF-10

INFO OCT-01 NEA-10 ISO-00 EB-08 AID-05 XMB-02 OPIC-03
IGA-02 L-03 TRSE-00 OMB-01 INT-05 DOE-11 SOE-02
AGRE-00 DLOS-09 OES-07 /079 W
-----129645 121711Z /43

R 121521Z JAN 78
FM AMEMBASSY DAKAR
TO SECSTATE WASHDC 2399
INFO USDOC WASHDC
AMEMBASSY TEHRAN
AMEMBASSY NOUAKCHOTT
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E.O. 11652: N/A
TAGS: BENC, BMEP, SG
SUBJECT: PORT SEDAR PROJECT

REF (A) STATE 004166 (NOTAL), (B) 77 DAKAR 8020 AND
PREVIOUS, (C) 77 DAKAR A-86

1. SUMMARY: IRAN HAS REAFFIRMED ITS INTENTION TO ASSIST
IN FINANCING OF CAYAR/PORT SEDAR COMPLEX, THROUGH
PLEDGE FOR \$250,000 TOWARD PORT STUDY. SHORT LIST FOR
STUDY CONTRACTOR IS CURRENTLY BEING ASSEMBLED.
JANUARY 5 MEETING OF JOINT SENEGALESE-IRANIAN COMMITTEE
ON KEUR FARAH PAHLAVI (PROPOSED NEW CITY NEAR CAYAR) WAS
OCCASION FOR RENEWED PLEDGES TO COOPERATION AS WAS
PRESENTATION OF CREDENTIALS SAME DAY BY IRAN'S AMBASSADOR.
DISCUSSIONS WITH DAKAR-BASED OFFICIALS OF NATIONAL IRANIAN
OIL COMPANY (NIOC) AND NUMBER OF SENEGALESE OFFICIALS,
HOWEVER, POINT UP FACT THAT MOST COMPONENTS OF PROJECT
ARE OF TENUOUS ECONOMIC FEASIBILITY. END SUMMARY.
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2. IN RECENT WEEKS IRANIANS HAVE REAFFIRMED THEIR INTENTION
TO PARTICIPATE IN PORT SEDAR PROJECT. DURING VISIT TO
DAKAR IN LATE DECEMBER, DAVID MORSE, AMERICAN ATTORNEY
WHO SERVES AS ADVISOR TO GOVERNMENT OF SENEGAL (GOS),
RECEIVED PHONE CALL FROM TEHRAN EXPLAINING IRAN WOULD
PAY \$250,000 TOWARD PORT STUDY (REF A). WHILE THIS IS

HARDLY STAGGERING SUM, IT DOES REPRESENT POSITIVE MOMENTUM ON THE IRANIAN SIDE, WHICH AT SEVERAL JUNCTURES HAS APPEARED CLOSE TO BACKING OUT OF PROJECT. PAYMENT WILL ONLY PARTIALLY COVER STUDY (WE ASSUME IBRD WILL COVER THE REST), WHICH IRASENCO ADMINISTRATOR DIOUF EXPLAINS WILL INCLUDE COMPARATIVE ANALYSIS OF THREE PORT SITES-CAYAR, DAKAR, AND MBAO, A DAKAR SUBURB. MINISTRY OF PUBLIC WORKS IS CURRENTLY EVALUATING QUALIFICATIONS OF 14 FIRMS PRESELECTED TO BID ON STUDY AND EXPECTS TO RELEASE SHORT LIST SOON.

3. FLURRY OF LOCAL MEDIA REPORTING ON NEW CITY ASPECT CYAR/PORT SEDAR SITUATION OCCURED ON JANUARY 5 WHEN IRANIAN AMBASSADOR NASRULLAH FAHIMI PRESENTED CREDENTIALS TO PRESIDENT SENGHOR. FAHIMI PLEDGED TO "PRESERVE AND INTENSIFY" RELATIONS BETWEEN TWO COUNTRIES. SENGHOR ADDED THAT BILATERAL COOPERATION WOULD BE DEMONSTRATED BY CREATION OF "INDUSTRIAL CITY" OF KEUR FARAH PAHLAVI, WHICH WOULD BE "WORK OF ART", AND BY YEAR 2000, THE SECOND LARGEST INDUSTRIAL COMPLEX IN SENEGAL.

CITY WOULD BE MAJOR ACHIEVEMENT IN "LE DIALOGUE ENTRE L'IRANITE ET AL NEGRITUDE."

4. ALSO ON JANUARY 5, MEETANG OF "KEUR FARAH PAHLAVI COMMITTEE" TOOK PLACE IN DAKAR. WHILE NO DETAILS OF LIMITED OFFICIAL USE

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MEETIG WERE MADE PUBLIC, THE EMBASSY HAS LEARED THAT PRESIDENT SENGHOR CHAIRED DELIBERATION AND THAT MOSHE SEFTI, CANADIAN ARCHITECT, AN IRANIAN ARCHITECT, AND A MEMBER OF THE EMPRESS' STAFF WERE IN ATTENDANCE.

5. ON THE SENEGALESE SIDE, ENTHUSIASM REMAINS UNFLAGGING. WHEN ASKED ABOUT DELAYS IN THE PORT SEDAR COMPLEX IN INTERVIEW PUBLISHED IN JANUARY 1978 AFRIQUE INDUSTRIE, PRESIDENT SENGHOR REPLIED: "WHEN THE IMPLEMENTATION OF A PROJECT FALL BEHIND SCHEDULE, IT IS GENERALLY FOR ONE OF THE FOLLOWING REASONS: PRELIMINARY STUDIES PROVING MORE DIFFICULT AND TIME CONSUMING THAN FORECAST, PROBLEMS WITH THE FINANCIAL PACKAGE, OR DECLINING PERSEVERANCE OF THE PROMOTERS. ON THIS LAST POINT THERE CAN BE NO DOUBT. THE COMMON WILL OF IRAN AND SENEGAL HAS BEEN STRONGLY REAFFIRMED." (COPY OF ENTIRE INTERVIEW POUCHED TO AF/W).

6. EMBOFF VISITED OFFICES OF IRAN SENEGAL PETROLEUM AND MINING COMPANY (IRASENCO) JANUARY 9 TO SEE IF EUPHORIA HAD ALSO INFECTED THAT OPERATION. IT HADN'T. CHIEF NIOC REPRESENTATIVE AT IRASENCO, H. KHOSROVANI, DENIED

ANY CONNECTION BETWEEN IRASENCO AND KEUR FARAH PAHLAVI COMMITTEE ALTHOUGH HE ACKNOWLEDGED THAT LIVELIHOOD OF NEW CITY WOULD DEPEND LARGELY ON PROPOSED IRASENCO PETROLEUM AND MINING OPERATIONS. KHOSROVANI DEFINED HIS JOB AS "LOOKING INTO THE FEASIBILITY OF BUILDING AN OIL REFINERY," A SLIM ROLE IN CONTRAST TO HIS SENEGALESE COUNTERPART AT IRASENCO, DIARAF DIOUF, WHO ONLY LAST MONTH WAS WORKING ON TERRIBLY COMPLEX MULTIPHASE PROJECT. KHOSROVANI OBVIOUSLY IS MARKING TIME BEFORE RECEIVING INSTRUCTIONS WHEN HE RETURNS TO TEHRAN LATER THIS MONTH. AT THIS JUNCTURE HE IS PESSIMISTIC EVEN ABOUT PROPOSED OIL REFINERY AND IS CLEARLY SKEPTICAL OF THE ENTIRE SEDAR PROJECT.

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7. FINDING KHOSROVANI (WHO INTIMATEED THAT STEPHANIAN HAS BEE FIRED) PERHAPS MORE RELASTIC THAN DIOUF, EMBOFF TOOK OPPORTUNITY TO DISCUSS ENTIRE PROJECT. FOLLOWING IS EMBASSY'S PHASE BY PHASE ANALYSIS OF CURRENT STATUS OF PROJECT BASED ON THAT CONVERSATION AND OTHER RUMBLINGS PICKED UP OVER RECENT MONTHS.

OIL REFINERY- FROM A REGIONAL STANDPOINT, SECND REFINERY FOR SENEGAL MAKES LITTLE SENSE. KHOSROVANI POINTS OUT THAT MILLION TON REFINERY AT NOUADIBOU, MAURITANIA IS ABOUT HALF COMPLETED. SENEGAL'S SAR (SOCIETE AFRICAINE DE RAFFINAGE) CURRENTLY SUPPLIES ABOUT ONE-THIRD OF MAURITANIA'S REFINED PRODUCT, A SITUATION WHICH WILL END WITH COMPLETION OF THE MAURITANIAN FACILITY.

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TO SOUTH COMPLETION OF LARGE REFINERY IN TOGO, AND
EXISTING OPERATIONS IN SIERRA LEONE, LIBERIA,
IVORY COAST, AND NIGERIA NEGATE POTENTIAL FOR
EXPORTS IN THAT DIRECTION. THIS NARROWS MARKET TO
SENEGAL ITSELF (GAMBIA RECEIVES REFINED PRODUCT FROM
EUROPE AND CARIBBEAN, WHICH IS CHEAPER THAN SAR PRODUCT)
AND PORTION OF WESTERN MALI. THE SENEGAL/MALI MARKET
CAN BE SUPPLIED FROM THE CURRENT SAR FACILITY THROUGH
1981 (WITH THE EXCEPTION OF AVGAS OF WHICH ABOUT 30,000
TONS ARE IMPORTED YEARLY). BEYOND THAT, AS SAR DIRECTOR
GENERAL POINTS OUT, MODEST EXPANSION AT SAR COULD COVER
DEMAND THROUGH 1980'S. LOCAL TEXACO REP AGREES AND ADDS
THAT BUILDING OF NEW REFINERY WOULD BE ENTIRELY LUDICROUS,
EVEN IF IT COULD CAPTURE ENTIRE POTENTIAL 400,000 TON
PER YEAR BUNKER MARKET, WHICH HE CONSIDERS HIGHLY UNLIKELY.

PHOSPHATE- THE PHOSPHATE PICTURE HAS CHANGED
DRASTICALLY SINCE THE PORT SEDAR COMPLEX WAS CONCEPTUALIZED.
ORIGINAL PLAN TO SWAP PHOSPHATES FOR OIL APPEARS DEAD
IN LIGHT OF LOW PRICE OF PHOSPHATES AND DISCOVERY OF
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MINERAL IN IRAN. IN ADDITION, GOS HAS DECIDED TO DELAY
EXPLOITATION OF THE 50 MILLION TON DEPOSIT ON THE TOBENE
LAYER NEAR CAYAR (REF C). IN AN ANNOUNCEMENT IN THE
SUMMER OF 1977 MINISTER OF INDUSTRIAL DEVELOPMENT
REVEALED THAT PRODUCTION AT TAIBA MINE WILL BE
INCREASED TO ABOUT 2 MILLION TONS PER YEAR. SUPPLIES
AT TAIBA ARE EXPECTED TO BE EXHAUSTED IN 12 TO 15 YEARS
AT THAT RATE. ONLY THEN WOULD THE GOS BEGIN TO MINE
TOBENE LAYER. SINCE PRESENT INFRASTRUCTURE, INCLUDING
RAILROAD AND ROAD LINKS, IS IN PLACE AT PORT OF DAKAR
FOR TRANSPORTING TAIBA PHOSPHATES (95 PERCENT OF WHICH ARE
EXPORTED), BUILDING OF NEW PORT FACILITIES FOR PHOSPHATE
WOULD APPEAR UNNECESSARY UNTIL ABOUT 1990, IF THEN.
PARADOXICALLY, DIOUF TOLD US AS RECENTLY AS DECEMBER THAT
HANDLING TERMINAL FOR TOBENE PHOSPHATES WOULD BE MAJOR PART
OF PORT SEDAR.

FERTILIZER- AT ONE TIME US FIRM N-REN WAS BEING
PRESSED TO JOIN IN CAYAR COMPLEX. IN RECENT MEETING WITH
CABINET DIRECTOR OF MINISTRY OF INDUSTRIAL DEVELOPMENT,

MICHELE DEMBELE, EMBOFFS WERE TOLD
FLATLY THAT GOS IS NO LONGER INTERESTED IN NEW FERTILIZER
PLANT DUE TO DEPRESSED WORLD MARKET AND ANY SUCH FACILITY
IN SENEGAL WOULD HAVE TO BE UNDERTAKEN BY PRIVATE SECTOR
WITHOUT GOVERNMENT FINANCIAL GUARANTEES. VISITING N-REN
REPRESENTATIVES, ON OTHER HAND, INSIST FIRM IS UNWILLING
TO PROCEED WITHOUT SUCH ASSUREANCES. PRE-FABRICATED
FERTILIZER PLANT ON SKIDS HAS BEEN READY FOR SHIPMENT
FROM AUSTRIA FOR OVER A YEAR. REPORTED SITE FOR PLANT,
IF N-REN GIVES GO-AHEAD, IS SHIFTED TO DAKAR SUBURB MBAO.

PHOSPHORIC ACID AND AMMONIA-KHOSROVANI SAID SENEGAL
WOULD BE BETTER OFF STAYING AWAY FROM PRODUCTION OF
THESE PRODUCTS. HE CITED AS REASONS LOW LEVEL OF
DOMESTIC DEMAND AND POOR EXPORT PROSPECTS, PLUS TRICKY
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ASPECTS OF TRANSPORT.

LONG SHOT-IRON ORE - DIOUF MENTIONED POSSIBLITIY
OF PORT SEDAR AS TERMINAL OF NEW 700 KM RAILROAD FROM AS
YET UNEXPLOITED FALEME IRON ORE DEPOSIT. THIS IS ONE
USE OF PROPOSED PORT WHICH MIGHT MAKE SENSE OVER LONGER
TERM. ESTIMATED 400 MILLION TON DEPOSIT IS ONE OF FEW
BRIGHT SPOTS ON SENEGALESE ECONOMIC HORIZON. FRENCH
BRGM, GERMAN (FRIED-KRUPP) AND JAPANESE (KANEMATSU-AOSHO)
ARE COMPETING FEASIBILITY STUDY. IT APPEARS LIKELY
THAT NEW RAILROAD WOULD HAVE TO BE CONSTRUCTED TO TRANSPORT
ORE.

8. CONCLUSION: EMBASSY STILL BELIEVES THAT IRANIAN-
SENEGAL DESIRE TO COOPERATE IS SINCERE BUT MANY
UNCONTROLLABLE FACTORS HAVE ACTED TO TORPEDO GRANDIOUSE
CAYAR/PORT SEDAR PLANS CONCEIVED FIVE YEARS AGO. FACT
THAT NEW PORT STUDY WILL EVALUATE THREE SITES MAY BE
INDICATION THAT ONE OR BOTH PARTIES IS LOOKING FOR EXCUSE
TO ABANDON CAYAR AREA. BOTH ALTERNATIVE SITES ARE IN
DAKAR AREA AND A CHOICE OF EITHER ONE WOULD FORCE
PRESIDENT SENGHOR TO EAT SOME CROW SINCE DECENTRALIZATION
OF SENEGAL'S CONCENTRATED INDUSTRIAL BASE IS LONG-STATED
GOAL, CURRENTLY BEING PUBLICLY RE-EMPHASIZED IN SENGHOR'S
OFFICIAL TOUR OF THIES REGION, WHERE CAYAR IS LOCATED.
IT ALSO WOULD FORCE QUESTION OF WHAT TO DO ABOUT KEUR FARAH
PAHLAVI CITY: PERHPAS IT COULD BE REDESIGNED AS AS
RETIREMENT COMMUNITY. IN ALL SERIOUSNESS, AS ECONOMIC
JUSTIFICATIONS FOR PORT COMPLEX CRUMBLE IN FACE OF
MARKET REALITIES, WE WONDER IF IRANIAN-SENEGALESE
COOPERATION MIGHT REACT ACCORDINGLY AND ENTER INTO
AREAS SUCH AS AGRICULTURE, FISHING AND TOURISM, WHICH
OFFER FAR MORE PRACTICAL ROUTES TOWARD MENINGFUL
NATIONAL DEVELOPMENT.

9. EMBASSY WOULD APPRECIATE RECEIVING ANY AVAILABLE
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BIOGRAPHIC INFORMATION ON NEW IRANIAN AMBASSADOR
NASRULLAH FAHIMI.
COHEN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978DAKAR00327
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780018-0824
Format: TEL
From: DAKAR
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780169/aaaacgna.tel
Line Count: 289
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Litigation Codes:
Litigation History:
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Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 4166, 77 DAKAR 8020
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3783351
Secure: OPEN
Status: NATIVE
Subject: PORT SEDAR PROJECT
TAGS: BENC, BEXP, SG
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b739fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014